

**AGENDA ITEM NO:**

**UNIVERSITY HOSPITAL BIRMINGHAM NHS FOUNDATION TRUST**

**BOARD OF DIRECTORS**

**THURSDAY 25 OCTOBER 2012**

<b>Title:</b>	<b>TRUST CAPITAL PROGRAMME REPORT</b>
<b>Responsible Director:</b>	Morag Jackson, New Hospitals Project Director
<b>Contact:</b>	Steve Clarke, Finance Department, ext. 53854

<b>Purpose:</b>	To update the Board of Directors on 2012/13 capital expenditure.
<b>Confidentiality Level &amp; Reason:</b>	None
<b>Medium Term Plan Ref:</b>	Relevant to all strategic aims
<b>Key Issues Summary:</b>	<p>Actual capital expenditure incurred during the first six months of the 2012/13 financial year (April-September) was <b>£5.17</b> million.</p> <p>The approved capital budget for 2012/13 is <b>£12.80 million</b> which includes £2.80m relating to charitable donations.</p>
<b>Recommendations:</b>	<p>The Board of Directors is requested to:</p> <p>Note the expenditure to date against the 2012/13 capital programme.</p>

<b>Signed:</b>	<b>Date:</b> 12 October 2012
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# UNIVERSITY HOSPITAL BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS  
THURSDAY 25 OCTOBER 2012

## TRUST CAPITAL PROGRAMME REPORT

PRESENTED BY NEW HOSPITALS PROJECT DIRECTOR

### 1. Purpose of the Report

This report summarises the Trust's 2012/13 capital expenditure in the first six months of the financial year and gives an overview of the major projects.

### 2. 2012/13 Expenditure Summary

Actual capital programme expenditure incurred up to the end of quarter 2 (30<sup>th</sup> September 2012) was £5.17 million as summarised below:

**Table 1: Summary 2012/13 Capital Programme Budget & Expenditure**

	<b>Apr-Sept Budget £ m</b>	<b>Apr – Sept Expenditure £ m</b>
Brought Forward Schemes	0.09	0.23
Retained Estates	2.02	1.56
Equipment – Rolling Replacement	0.58	1.32
Equipment – Scopes Replacement	0.40	0.44
Equipment - Major Trauma Centre	0.15	0.18
Equipment - Other	0.41	0.37
ICT replacement & specific projects	0.57	0.65
Modernisation and Discretionary	0.06	0.02
New Hospital Works	0.20	0.34
Unallocated	0.00	0.00
Assumed slippage	-0.15	0.00
Gifted Assets	0.00	0.04
<b>TOTAL</b>	<b>4.32</b>	<b>5.17</b>

Expenditure is ahead of plan at this stage due to expenditure on replacement medical equipment being incurred earlier than originally forecast at the start of the financial year. This primarily relates to additional dialysis (CVVH) machines and units recently purchased for the Critical Care Department. Total capital expenditure is expected to return back in line with plan over the next 3 months and a forecast of the outturn position for 2012/13 will be included in the next capital update report.

### 3. 2012/13 Programme Update

#### 3.1 Brought forward from previous years (Annual Budget: £0.20m)

The £0.23m spend includes several items of medical equipment ordered in 2011/12 but delivered in 2012/13.

#### 3.2 Retained Estate (Annual Budget: £4.95m)

During the two quarters of 2012/13 expenditure of £1.56m has been incurred which includes the following schemes:

- £0.74m on Plaza Scheme including a £0.28m Plaza bond payment to Birmingham City Council.
- £0.28m on roads infrastructure work being undertaken by Birmingham City Council.
- £0.23m on Nuffield House refurbishment works for the HARC service transfer.
- £0.27m spent on works to the CRF facility in the Wellcome building.

Works on all the above schemes continue on track. Works are expected to begin on the Cyberknife facility and works required for the Haemophilia service transfer are due to start shortly.

#### 3.3 Equipment (£3.24m)

Total expenditure on equipment during the first six months was £2.31m; this included the following;

- £0.44m on replacement endoscopes and drying cabinets.
- £1.32m was incurred on the rolling replacement of existing medical equipment including dialysis units, heart and lung machines, operating tables, ventilators and diathermy units.
- £0.18m on equipment within the emergency and critical care departments for the opening of the Major Trauma Centre.
- £0.31m on the replacement electron microscope installed into the new hospital.

#### 3.4 ICT Replacement and Specific Projects (£1.25m)

To date £0.65m has been incurred on ICT expenditure. This included finance disaster recovery, IT system upgrades, replacement IT servers and refresh of PACS hardware.

#### 3.5 Modernisation & Chief Operating Officer's Capital Fund (£0.30m)

This is for the unplanned replacement of equipment or the purchase of new equipment to improve service delivery or release revenue savings. Minimal expenditure (£0.02m) has been incurred in the first six months of the financial year.

### 3.6 New Hospital Works (£0.35m)

To date £0.34m has been incurred for new hospital works approved by the Board of Directors in previous years via variations which now been invoiced by the PFI operator.

### 3.7 Unallocated and Assumed Slippage (£0.20m)

The £0.50m unallocated at the start of the financial year has now been allocated to the following capital projects which have arisen in the financial year;

- £0.35m Equipment purchase of CVVH machines Critical Care.
- £0.10m PACS refresh in line with original business case.
- £0.05m Radio pharmacy works.

Assumed slippage (£0.30m) is included in the budget. Based on historic trends it is assumed that some capital projects would be delayed and under spent.

### 3.8 Donated Assets (£2.80m)

The £2.80m budget includes the Cyberknife machine at £2.40m and £0.40m for other donated equipment purchases. Expenditure will be recognised as assets are purchased and delivered. The budget for this expenditure remains in the second part of the financial year when the equipment is expected to be delivered.

## 4. **Other Capitalised Payments**

In addition to the traditional capital expenditure outlined above, the Trust incurs two other capitalised new hospital payments which are not shown in the monthly Income and Expenditure reported to the Board of Directors;

- £12.30 million** for the repayment of the finance lease creditor (effectively the annual repayment of the outstanding credit to ensure a zero balance at the of the PFI contract term).
- £1.70 million** for new hospital lifecycle payments (reflects the annual expenditure on lifecycle replacement and maintenance of the building such as flooring replacement).

At the end of quarter 2 (April to September), the combined new hospital related capital payments incurred were £7.00 million in line with plan. The total capital expenditure and funding for quarter 2 is shown below:

**Table 2: Capital Expenditure & Funding Draft Projection**

	Capital Expenditure and Sources of Funding	2012/13 Plan £ m	Qtr 2 Plan £ m	Qtr 2 Actual £ m
Expenditure	Trust Capital Programme	-12.8	-4.3	-5.2
Expenditure	Other New Hospital capitalised payments	-14.0	-7.0	-7.0
	<b>Net Cash (Outflow)</b>	<b>-26.8</b>	<b>-11.3</b>	<b>-12.2</b>
Source of Funding	Depreciation	19.3	9.7	10.0
Source of Funding	Donated Assets	2.8	0.0	0.0
Source of Funding	Surplus	0.6	0.3	1.0
	<b>Net Cash Inflow</b>	<b>22.7</b>	<b>10.0</b>	<b>11.1</b>
	<b>Overall Cash Inflow / (Outflow)</b>	<b>-4.1</b>	<b>-1.4</b>	<b>-1.1</b>

Table 3 above shows a net cash outflow of (£4.10) million over the financial year relating to all types of capital expenditure. At the end of quarter 2 total capital transactions and sources of funding show a net cash outflow of (£1.10m). This was due to capital programme expenditure being higher than planned being partially offset by the higher surplus generated for the period.

## 5. Conclusion

The Trust has incurred £5.17m of capital expenditure in the first six months of the 2012/13 financial year. Capital expenditure is ahead of forecast at present but expected to return closer to planned budget during the remaining months. The approved capital budget for 2012/13 is £12.80m of which £2.8m relates the charitable donations (primarily Cyberknife).

## 6. Recommendations

The Board of Directors is requested to:

**Note** the expenditure to date against the 2012/13 capital programme.

Morag Jackson  
Director of New Projects

12 October 2012